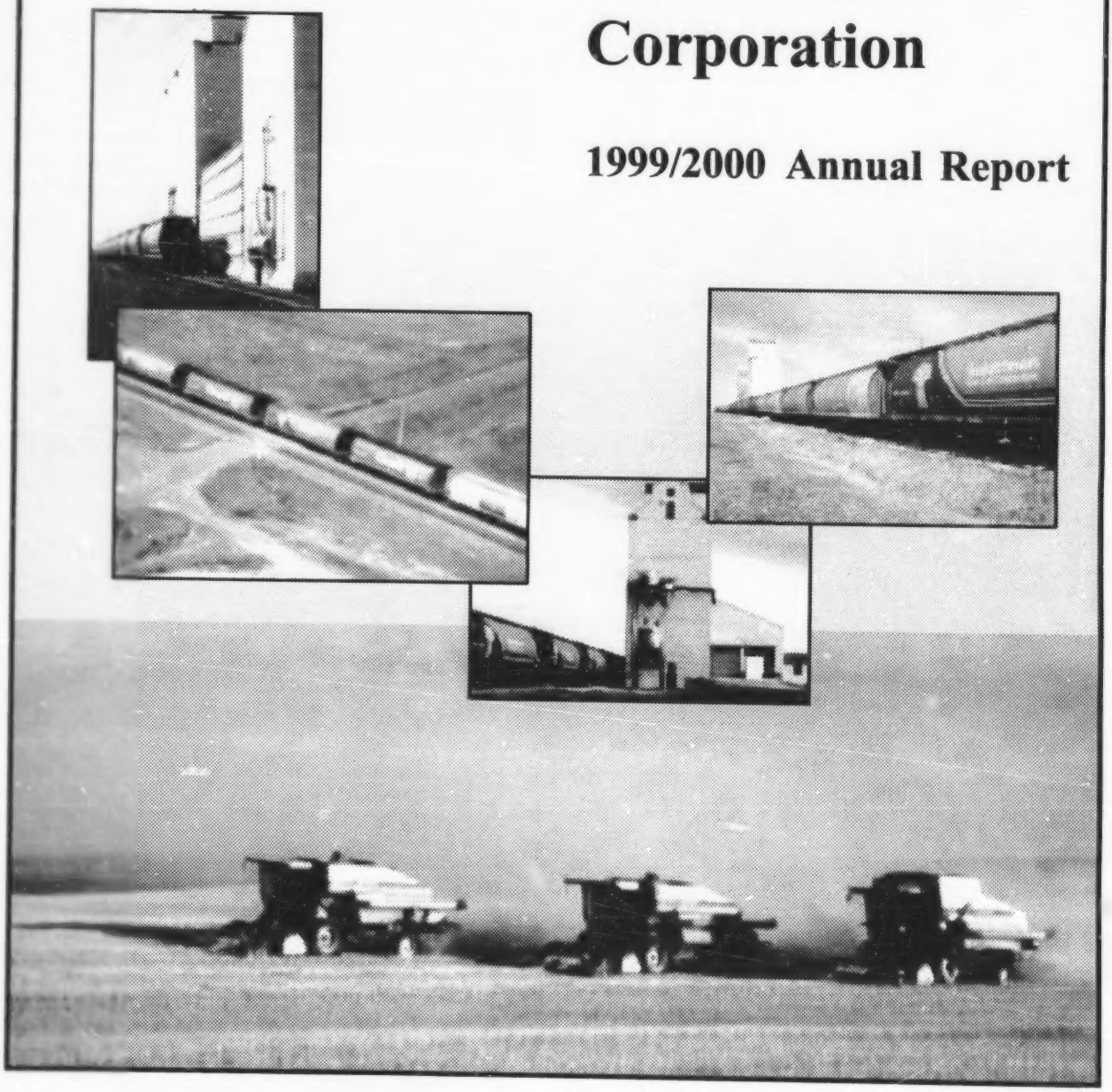
Saskatchewan
Grain Car
Corporation

Saskatchewan Grain Car Corporation

1999/2000 Annual Report



Saskatchewan
Grain Car
Corporation

Quick Facts about the Saskatchewan Grain Car Corporation:

Corporation Established Oct. 2, 1979

Offices
- Executive Administration — Regina
- Fleet Operations — Melville

Board of Directors
Maynard Sonntag, Minister Responsible for the Saskatchewan Grain Car Corporation
Ron Styles, Deputy Minister of Highways and Transportation
Terry Scott, Deputy Minister of Agriculture and Food

Corporation Staff
Bernie Churko, General Manager
Bill Cooke, Manager of Planning
Kelly Moskowy, Fleet Manager
Sandra Rathgeber, Secretary

Fleet

Cars in service	972
Cars allocated to CN (SKNX 397000 - 397476)	464
Cars allocated to CP (SKPX 625000 - 625522)	508
Cars destroyed to date	28
Car volume	128.8 m³ (4550 ft³)
Car capacity	91 000 kg (201,000 lbs.)
Load limit	91 250 kg (201,200 lbs.)
Weight (empty):	28 050 kg (61,840 lbs.)
Material:	Steel
Lining:	Epoxy
Dates built	February, 1981 October, 1981

Governing Legislation & Lease Agreements
The Saskatchewan Grain Car Corporation Act
Operating Agreement with CN, CP, and CWB
Alternate Use Agreements with CN and CP

Financial Highlights *(for the year ended July 31, 2000)*

	Budget	*Actual*
Total Revenue	**$ 1,310,000**	**$ 2,060,037**
Car Leasing	$ 1,000,000	$ 1,639,104
Interest	$ 275,000	$ 453,339
Destroyed Cars	$ 35,000	$ 173,086
Total Expenditure	**$ 337,000**	**$ 205,492**
Excess of Revenue over Expenditure	**$ 973,000**	**$ 2,060,037**
Total Assets		**$ 38,503,618**
Due from General Revenue Fund Operating		$ 9,611,889
Due from General Revenue Fund Reserve		$ 1,400,356
Physical Assets Hopper Cars		$ 27,491,373

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101-02783/

Letter of Transmittal

Minister of
Highways and
Transportation

SASKATCHEWAN

Legislative Building
Regina, Saskatchewan S4S 0B3
(306) 787-6478

October 31, 2000

To Her Honour
The Honourable Dr. Lynda M. Haverstock
Lieutenant-Governor of the
Province of Saskatchewan

I have the honour to submit herewith the 21st Annual Report of the Saskaichewan Grain Car Corporation for the year ending July 31, 2000 in accordance with the *Saskatchewan Grain Car Corporation Act*. The Financial Statements are in the form approved by Treasury Board and have been duly certified by auditors for the Corporation.

Respectfully submitted,

Maynard Sonntag
Minister Responsible for the
Saskatchewan Grain Car Corporation

General Manager's Message

Saskatchewan

Saskatchewan Grain Car Corporation

Office of the General Manager
12th Floor, 1855 Victoria Ave.
Regina, Canada
S4P 3V5

October 31, 2000

Honourable Maynard Sonntag
Chairman of the Board

Honourable Minister Sonntag:

I am pleased to present the Annual Report for the Saskatchewan Grain Car Corporation (SGCC) for the fiscal year ending July 31, 2000. As General Manager of the SGCC, I take great pride in knowing the Corporation remains committed to assisting producers in the movement of western Canadian grain products to domestic and export destinations throughout North America.

The 1999/2000 fiscal year was the beginning of a new era for the Corporation. Successful implementation of systems developed in 1998/1999 allowed us to refocus our efforts to assisting farm groups to realize net returns through modern grain handling and transportation practices. Within this broader mission, the Corporation entered into a partnership to develop a grain logistics pilot project with West Central Road & Rail Ltd., the Golden Prairie Short Line Coop, the Government of Canada's Canadian Partnership Program, the Canadian Wheat Board, and the Canadian Grain Commission. The project will develop a template for establishing a community based modern grain logistics system.

The Corporation entered into an agreement with West Central Road & Rail Ltd. to supply technical expertise and financial assistance to the project. The goal of the pilot project is to enhance the economic life of the local community by providing a greater return to farmers while maintaining local rail and grain handling services. An added benefit will be substantial reductions in truck traffic with consequential savings in road costs. Initial results suggest returns to farmers in excess of $10 per tonne are achievable. Information gained from this project will be made available to farmers throughout the province.

As part of an ongoing commitment to the agricultural sector, Corporation management continued its role as technical advisors to the Farmer Rail Car Coalition (FRCC). The FRCC is made up of eight farm organizations working toward a goal of purchasing the federal government's 13,000 rail hopper cars directly on behalf of western Canadian farmers. In addition to acting as the Coalition's technical advisors, Corporation management also worked closely with the FRCC to initiate a study that will help determine the feasibility of upgrading the government hopper car fleet, including the Corporation's cars, to the modern 286,000 lb. GRL (Gross Rail Limit). SGCC will manage the study on behalf of the FRCC.

The financial picture of the Corporation continued to be strong with the 1999/2000 fiscal year realizing an excess of revenue over expenditure at a record level of $2.1 million. Although actual car leasing revenues for alternate use movements was down slightly from the previous year at $1.2 million, it represents the second highest alternate use revenue in the Corporation's history. This revenue represents a 9.8 per cent decrease from the previous year when the Corporation realized $1.3 million from alternate use leasing. The reduction is a direct result of lower demand for hopper cars for the movement of products to domestic destinations throughout North America.

Corporation management continued to work aggressively toward settlement of an outstanding "Statement of Claim," which the SGCC filed against CN in 1997 for western Canada alternate use movements made prior to June 1997. Negotiations were ongoing with CN throughout the year. By fiscal year end, Corporation management and CN officials came to a mutual settlement resulting in $450,000 in additional revenue to the Corporation.

Once again, I am pleased to express my appreciation for the dedication shown by Corporation employees toward improving grain transportation in Saskatchewan.

Bernard Churko
General Manager

Corporate Profile

Description

The Saskatchewan Grain Car Corporation (SGCC) is a Treasury Board Crown Corporation operating under the authority of the Saskatchewan Grain Car Corporation Act. The SGCC is governed by the Board of Directors who oversees the management of the Corporation and holds management accountable for Corporation performance. The Chair of the Board of Directors is also the Minister Responsible for the Saskatchewan Grain Car Corporation, who functions as a link between the Corporation and Cabinet, as well as the provincial Legislature.

Background

In 1981, the Government of Saskatchewan made a strategic investment of approximately $55,000,000 in Canada's grain transportation system by purchasing 1,000 covered hopper cars for the movement of export grain grown by western producers.

The first Saskatchewan cars entered grain service in March 1981. Over the past 19 crop years, 28 of these hopper cars have been destroyed in train derailments leaving the Corporation with the responsibility to manage the remaining fleet of 972 cars.

The provision of the Saskatchewan Grain Car Corporation cars in grain service assists the grain industry in meeting its export targets, and with the movement of grain from country origins across the prairies to inland destinations throughout Canada, the United States, and Mexico.

Mission

In 1994, the SGCC Board of Directors approved a mission statement for the Corporation that directed management to complete projects directly related to agriculture or industry, through the efficient and effective use of the Corporation's fleet.

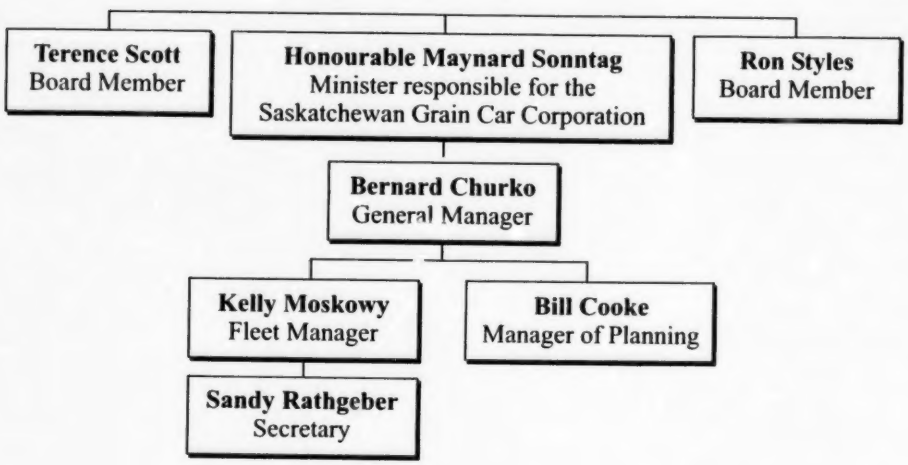
Over the course of the 1999/2000 fiscal year, the SGCC Board of Directors approved a revision to the mission statement that directs SGCC resources, its capital assets and human resource assets, to be supplied to projects related to agriculture and industry. With this change, the Corporation is no longer restricted to only completing projects directly related to the fleet.

The new mission statement for the Saskatchewan Grain Car Corporation is as follows:

"To maximize the economic benefits to Saskatchewan agriculture as a first priority, other Saskatchewan industries as a second priority, and the province in general, through the effective and efficient use of its resources."

Organization Chart

As of July 31, 2000



Corporate Report

The 1999/2000 fiscal year proved to be another successful year for the Saskatchewan Grain Car Corporation (SGCC) as the Corporation continued it's ongoing commitment to enhancing the western Canadian grain transportation system. Over the course of the year, Corporation management continued, as it's primary goal, to focus on providing the Saskatchewan agricultural industry with an efficient and effective fleet of 972 steel covered hopper cars. As the year progressed the direction of the Corporation took an exciting and new direction with the approval of an expanded mission statement that allows SGCC resources to be used for agricultural projects outside of the previous Corporate mission which was restricted to activities related to the rail car fleet itself.

Over the course of the year management continued open discussions with railway officials on possible changes to existing lease agreements in place between the parties. Management also worked directly with railway officials and industry to determine the requirement for higher Gross Rail Limit (GRL) cars, and also the feasibility of upgrading the SGCC fleet to the modern GRL limit.

Corporation management also completed and submitted a report to Saskatchewan Highways and Transportation related to the effects of Saskatchewan fuel tax on the railway industry in Canada.

In addition to the activities mentioned above, SGCC management also focused on the following key activities in the 1999/2000-crop year.

1999/2000 Key Activities

Farmer Rail Car Coalition (FRCC)

- Provision of technical advice to the FRCC.
- Initiated a study that will determine the feasibility of upgrading the government hopper car fleet to the modern 286,000 lb. GRL (Gross Rail Limit). SGCC will manage the study on behalf of the FRCC.

Settlement of Claim

- Negotiation and settlement of outstanding claim against CN.

West Central Road & Rail Ltd. and Golden Prairie Shortline COOP

- Provision of technical expertise and financial assistance to the Grain Logistics Pilot Project.

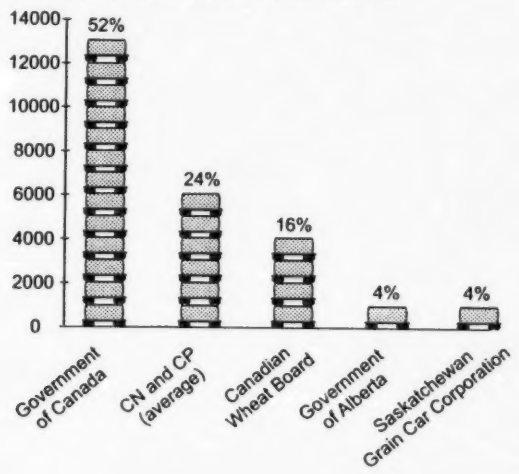
Saskatchewan Highways and Transportation (SHT)

- Provision of short line advisory consultants to SHT.

Fleet Management

- Negotiation with Transport Canada officials regarding SGCC management of federal hopper car fleet.

Canada's grain transportation system has 25,000 cars in service on average.



Operations Overview

During 1999/2000 the SGCC's computerized car tracking system continued to follow the day-to-day movements of the Corporation's fleet highlighting inactive cars, bad orders, and determining on an individual trip basis alternate use/ commercial movements. Corporation staff continue to monitor the daily reports to help ensure the fleet is used to capacity.

As in past years the Corporation's fleet continued to be used primarily for the movement of grain products throughout the Canadian Wheat Board's Western Division. Existing lease agreements between the Corporation and rail companies prioritize SGCC car's for the movement of grain originating in western Canada to export facilities at Thunder Bay, Churchill, Vancouver, and Prince Rupert. At times when cars were not required for these type of movements, the railway companies were permitted to use the cars for other types of domestic and export movements.

The SGCC had 464 hopper cars on CN lines and 508 on CP lines in 1999/2000. The percentage of cars assigned to CN and CP is based on the total tonnes handled by each carrier in the most recent 5-year period. Every two years this formula may be re-applied to the most recent 5 years to determine a possible re-allocation of cars. The Corporation received no request for reallocation during the 1999/2000-crop year.

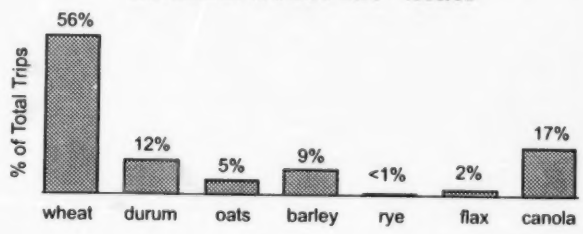
Since the Corporations inception in 1981, twenty-eight cars have been destroyed in derailments and have not been replaced. Five cars were destroyed in 1999/2000 compared with no cars destroyed in 1998/99 and five in 1997/98. For the cars that are destroyed, the responsible railroad is required to compensate the Corporation for the value of the car in accordance with rules established by the Association of American Railroads (AAR). This value is based on the current replacement value of the cars and the age of the car. All amounts received from the railways as compensation for destroyed cars are placed in a reserve fund to be used for the purchase of new cars.

The Corporation's hopper cars moved 13,510 car loads (1 150 710 tonnes) of grain in 1999/2000 compared to 11,696 carloads (987,477 tonnes) in the 1998/99 crop year an increase in movements of 15.5% and increase in total tonnage of 16.5%.

Summary of all grain (Statutory and Commercial) movements in SGCC cars

Commodity	1999/2000 Total Trips	1999/2000 Tonnes	1998/1999 Total Trips	1998/1999 Tonnes
Wheat	7,625	677,615	5,650	499,008
Durum	1,556	139,987	2,118	190,030
Oats	641	47,474	552	40,832
Barley	1,189	94,468	831	65,775
Rye	13	975	21	1,575
Flax	223	16,647	287	21,504
Canola	2,263	173,545	2,237	168,753
TOTAL	**13,510**	**1,150,710**	**11,696**	**987,477**

Summary of all grain (Statutory and Commercial) movements in SGCC cars - 1999/00



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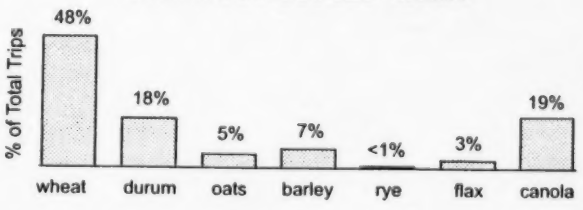

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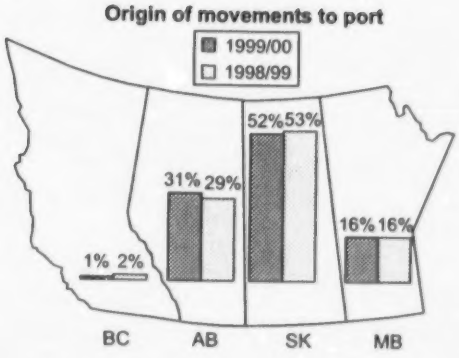
Car Leasing - Statutory Grain Service

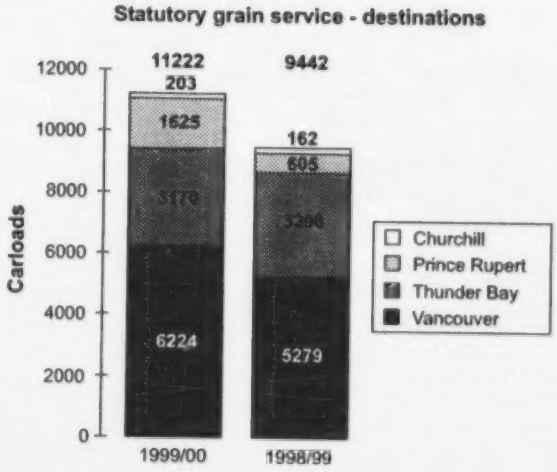
Demand for SGCC hopper cars in Statutory Grain Service remained strong in 1999/2000 with statutory movements making up 83 % of all movements in Corporation owned cars compared to 81% of total movements in the previous crop year. This increase resulted in 11,222 movements (962,020 tonnes) unloading at export facilities in western Canada in comparison to 9,442 carloads (818,942 tonnes) in the 1998/99 crop year. This represents an increase in movements of 18.9% and an increase in total export tonnage of 20.1%.

Statutory movements are allowed under an original 1981 Operating Agreement between the SGCC, CN, CP and CWB in which the rail companies are allowed to use free of charge Corporation cars to move the six major grains from the Prairie Provinces to port for export. The six major grains covered under the original 1981 agreement included; Wheat/Durum, Oats, Barley, Rye, Flax, and Canola. As the agricultural sector diversified and evolved this list was expanded and now includes 59-grain crops or products as listed under Schedule II of the *Canada Transportation Act*. Movement of these Schedule II commodities to port for export are considered Statutory Movements and the railways are allowed to use SGCC hopper cars at no charge.



Summary of all Statutory grain movements in SGCC cars

Commodity	1999/2000 Total Trips	1999/2000 Tonnes	1998/1999 Total Trips	1998/1999 Tonnes
Wheat	6,585	586,850	4,766	421,860
Durum	1,268	114,271	1,681	150,696
Oats	118	8,249	113	7,907
Barley	847	68,608	512	41,653
Rye	1	75	0	0
Flax	202	15,072	278	20,824
Canola	2,201	168,895	2,092	157,878
TOTAL	**11,222**	**962,020**	**9,442**	**800,818**



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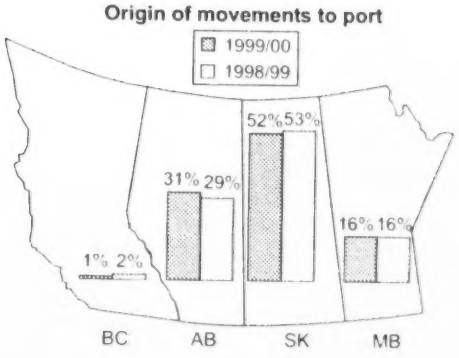

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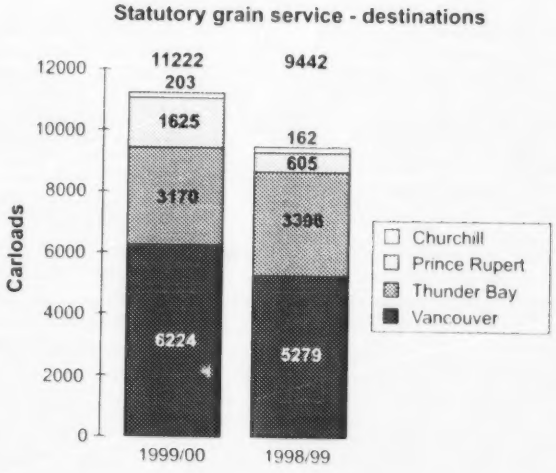
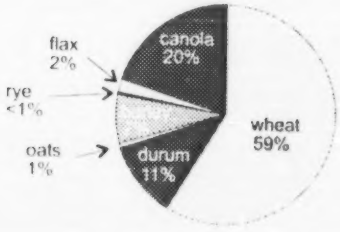
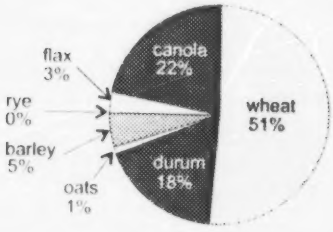


Major grains carried to port - 1999/00

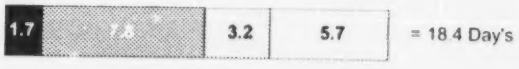


Major grains carried to port - 1998/99



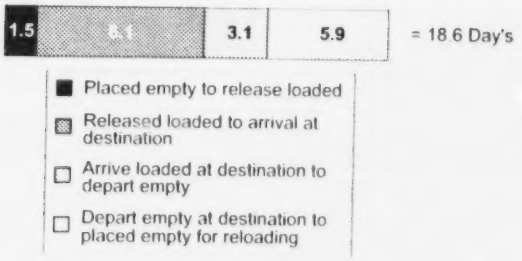
Car cycle - statutory movement - 1999/00

(days/trip leg)



Car cycle - statutory movement - 1998/99

(days/trip leg)



Car Leasing - Commercial Service (Alternate Use)

The use of SGCC hopper cars in Commercial Service remained strong in 1999/2000 with $1.2 million in revenue generated from alternate use movements. This total represents the second highest alternate use revenue in the Corporation's 21-year history. This revenue though significant does represent a slight (9.8%) decrease from the 1998/99-crop year in which the Corporation realized $1.3 million from alternate use leasing. Reduction of revenue is directly related to slightly lower commercial car cycles, and a decrease in demand for hopper cars by CN and CP for the movement of non grain products to domestic destinations throughout North America, and the movement of non Schedule II commodities to western Canada port facilities.

The use of SGCC cars for these alternate use movements began in the late 1980's when the railways first approached the Corporation seeking approval to use the Corporation's fleet for movements outside of the original 1981 agreement. To date the Corporation continues to allow the railways to use SGCC cars for this commercial service under formal alternate use agreements signed between the parties. Alternate use movements represented 16.9% of all SGCC car movements in 1999/2000 compared to 19.3% of all movements in the 1998/99-crop year. The majority of these movements were made predominantly by CN and CP and continued to be for the carriage of the six major grains to domestic destinations throughout Canada, United States, and Mexico.

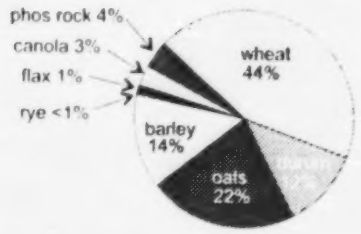
Summary of all Commercial grain movements in SGCC cars

Commodity	1999/2000 Total Trips	1999/2000 Tonnes	1998/1999 Total Trips	1998/1999 Tonnes
Wheat	1,040	90,765	884	77,148
Durum	288	25,716	437	39,333
Oats	523	39,225	439	32,925
Barley	342	25,859	319	24,122
Rye	12	900	21	1,575
Flax	21	1,575	9	680
Canola	62	4,650	145	10,875
TOTAL	**2,288**	**188,690**	**2,254**	**186,659**

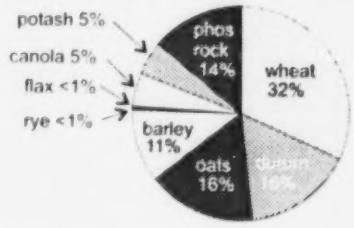
The Corporation also continues to allow CN to use Corporation owned cars for the movements of phosphate rock from Vancouver to Agrium's fertilizer facility at Beamer, Alberta. Cars in service normally move empty back to the country from Vancouver, forcing CN to move empty equipment through its busy Edmonton – Vancouver corridor to the West Coast. Phosphate rock movements in 1999/2000 declined with only 86 carloads moved generating $11,798 in revenue for the Corporation in comparison to 415 carloads and $61,234 in revenue for 1998/99, and 181 carloads and $35,224 of revenue in 1997/98.

While statutory grain service takes precedence over commercial service, the Corporation continues to keep in touch with industry to seek opportunities to expand the commercial leasing of its fleet during periods of under utilization.

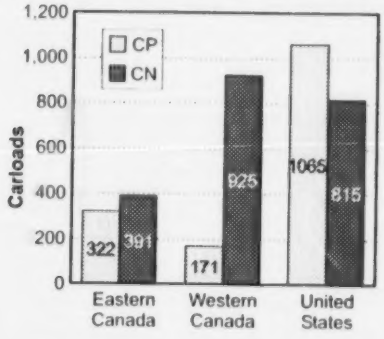
Major commodities carried - Alternate use - 1999/00



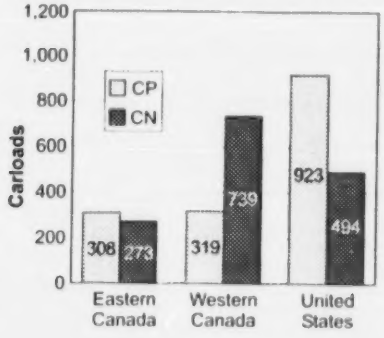
Major commodities carried - Alternate use - 1998/99



Commercial service - destinations - 1998/99

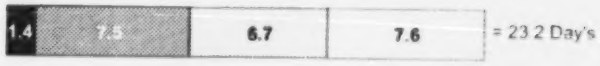


Commercial service - destinations - 1997/98



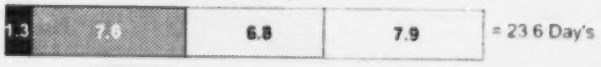
Car Cycle - Commercial Movement - 1999/00

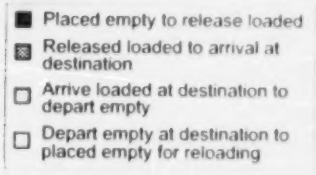
(days/trip leg)



Car Cycle - Commercial Movement - 1998/99

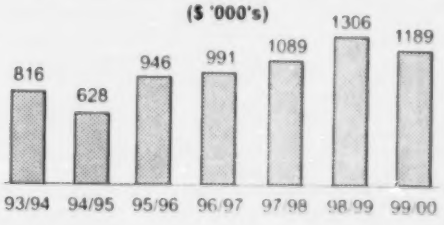
(days/trip leg)



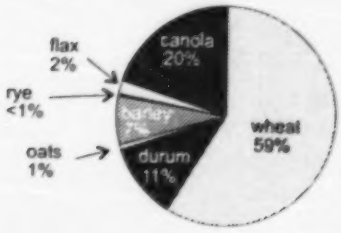

Placed empty to release loaded
Released loaded to arrival at destination
Arrive loaded at destination to depart empty
Depart empty at destination to placed empty for reloading

Commercial service - car leasing revenues

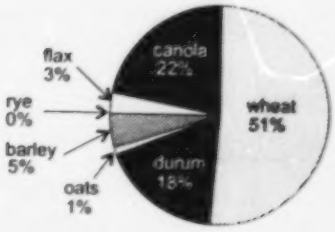
($ '000's)



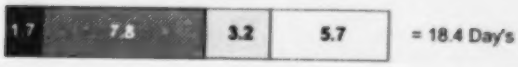
Major grains carried to port - 1999/00



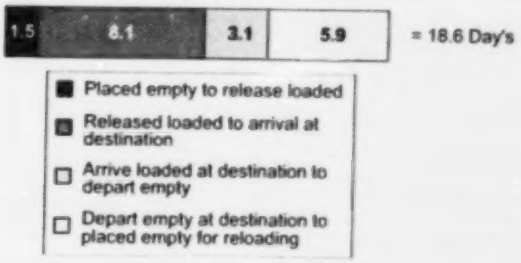
Major grains carried to port - 1998/99



Car cycle - statutory movement - 1999/00
(days/trip leg)



Car cycle - statutory movement - 1998/99
(days/trip leg)



Car Leasing - Commercial Service (Alternate Use)

The use of SGCC hopper cars in Commercial Service remained strong in 1999/2000 with $1.2 million in revenue generated from alternate use movements. This total represents the second highest alternate use revenue in the Corporation's 21-year history. This revenue though significant does represent a slight (9.8%) decrease from the 1998/99-crop year in which the Corporation realized $1.3 million from alternate use leasing. Reduction of revenue is directly related to slightly lower commercial car cycles, and a decrease in demand for hopper cars by CN and CP for the movement of non grain products to domestic destinations throughout North America, and the movement of non Schedule II commodities to western Canada port facilities.

The use of SGCC cars for these alternate use movements began in the late 1980's when the railways first approached the Corporation seeking approval to use the Corporation's fleet for movements outside of the original 1981 agreement. To date the Corporation continues to allow the railways to use SGCC cars for this commercial service under formal alternate use agreements signed between the parties. Alternate use movements represented 16.9% of all SGCC car movements in 1999/2000 compared to 19.3% of all movements in the 1998/99-crop year. The majority of these movements were made predominantly by CN and CP and continued to be for the carriage of the six major grains to domestic destinations throughout Canada, United States, and Mexico.

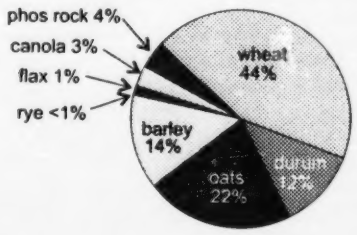
Summary of all Commercial grain movements in SGCC cars

Commodity	1999/2000 Total Trips	1999/2000 Tonnes	1998/1999 Total Trips	1998/1999 Tonnes
Wheat	1,040	90,765	884	77,148
Durum	288	25,716	437	39,333
Oats	523	39,225	439	32,925
Barley	342	25,859	319	24,122
Rye	12	900	21	1,575
Flax	21	1,575	9	680
Canola	62	4,650	145	10,875
TOTAL	**2,288**	**188,690**	**2,254**	**186,659**

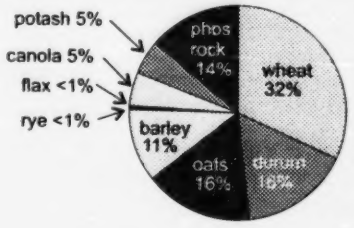
The Corporation also continues to allow CN to use Corporation owned cars for the movements of phosphate rock from Vancouver to Agrium's fertilizer facility at Beamer, Alberta. Cars in service normally move empty back to the country from Vancouver, forcing CN to move empty equipment through its busy Edmonton – Vancouver corridor to the West Coast. Phosphate rock movements in 1999/2000 declined with only 86 carloads moved generating $11,798 in revenue for the Corporation in comparison to 415 carloads and $61,234 in revenue for 1998/99, and 181 carloads and $35,224 of revenue in 1997/98.

While statutory grain service takes precedence over commercial service, the Corporation continues to keep in touch with industry to seek opportunities to expand the commercial leasing of its fleet during periods of under utilization.

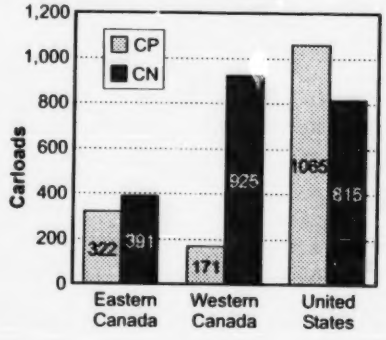
Major commodities carried - Alternate use - 1999/00



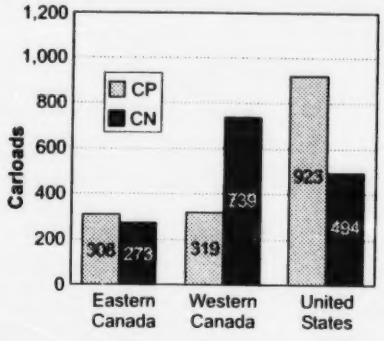
Major commodities carried - Alternate use - 1998/99



Commercial service - destinations - 1998/99

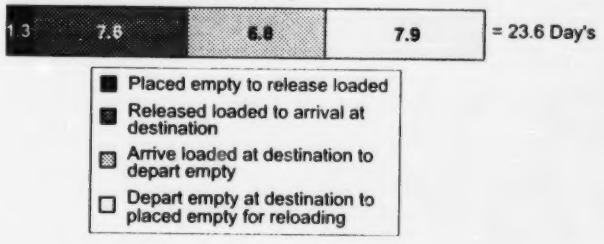


Commercial service - destinations - 1997/98

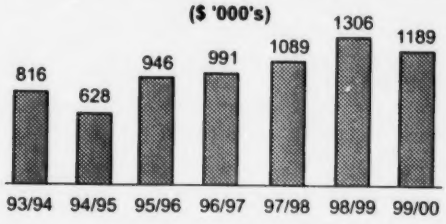


Car Cycle - Commercial Movement - 1999/00
(days/trip leg)

Car Cycle - Commercial Movement - 1998/99
(days/trip leg)



Commercial service - car leasing revenues
($ '000's)



Year 2000

The Year 2000 posed a significant global challenge. The Saskatchewan Grain Car Corporation recognized the importance of Year 2000 issues from both a technological and a corporate business perspective. Therefore, the Year 2000 Program was a high priority for Corporation management in 1999.

Year 2000 project work commenced in 1998 with the objective of minimizing risks that may have resulted from Year 2000 issues. The focus in 1999 was to ensure important technological systems were rolled forward and tested in a Year 2000 environment.

Additionally, the plan was to ensure that the Corporation's daily business was not effected and therefore this was taken into consideration and integrated with the Year 2000 Plan.

Saskatchewan Grain Car Corporation management developed a two phase Year 2000 Plan. The two phases were as follows:

1. Internal Remediation Project – ensured testing of systems and programs was timely, cost effective and of high quality. The objective was also to develop a plan to repair, retire and replace non-complaint systems. Processes were established to ensure non-compliant software was not reintroduced into the new or upgraded systems.
2. Stakeholder Project – by working closely with key business partners (primarily CN, CP and the AAR's RailINC Corporation), SGCC management obtained an understanding of the preparedness of the rail industry. The ongoing communication with these key stakeholders required considerable resources, however this process assisted in minimizing risk to the Corporation by ascertaining that all parties were addressing the Year 2000 issue within their respective companies.

Corporation management also addressed the possibility of issues arising from other parties equipment and contacted each company to ensure existing computer equipment was Year 2000 compliant. In cases were hardware or software required upgrading as a result of these inquires, Corporation management proceeded with these upgrades at minimal cost to the Corporation.

As a result of these efforts the Year 2000 rollover passed without any problems. The potential for serious interruptions were alleviated by the two phase plan detailed above.

Financial Statements

1999/2000

Management's Report

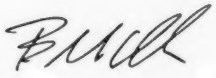
The accompanying financial statements have been prepared by management of the Saskatchewan Grain Car Corporation. These financial statements have been prepared in conformity with generally accepted accounting principles in Canada, consistently applied, using management's best estimates and judgement where appropriate. Management is responsible for the reliability and integrity of the Financial Statements and other information contained in the Annual Report.

The integrity of financial records from which these financial statements are prepared is largely dependent on the systems of internal accounting controls. The purpose of such systems is to provide reasonable assurance that transactions are executed in accordance with proper authorization, transactions are appropriately recorded in order to permit preparation of accurate financial statements and assets are properly accounted for and safeguarded against loss from unauthorized use. Underlying this concept of reasonable assurance is the fact that limitations exist in any system of internal accounting controls based on the premise that the cost of such controls should not exceed the benefits derived.

Management believes that the financial statements in this Annual Report present fairly the financial position of the Corporation for the year ending July 31, 2000.

The Board of Directors has fulfilled its responsibility with respect to the financial position of the Corporation by reviewing and approving the financial statements for the year ending July 31, 2000.

The financial statements have been audited by the Corporation's external auditors, Skilnick Robertson Besler Miller & Co., Chartered Accountants, and approved by the Provincial Auditor.



Bernard Churko
General Manager

Regina, Saskatchewan

Auditor's Report

To the Members of the Legislative Assembly
Province of Saskatchewan

We have audited the statement of financial position of the Saskatchewan Grain Car Corporation as at July 31, 2000, and the statements of revenue and expenditure, net assets and cash flows for the year then ended. The corporation's management is responsible for preparing these financial statements for Treasury Board's approval. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. These standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at July 31, 2000, and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Skilnick Robertson Besler Miller + Co.

SKILNICK ROBERTSON BESLER MILLER & CO.
Chartered Accountants

Melville, Saskatchewan
October 23, 2000

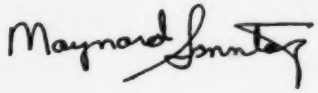
Statement of Financial Position

Statement 1

as at July 31,2000	*2000*			*1999*
	Operating Fund	Reserve Fund	Total	Total
Assets				
Cash	$ 44,511	$	$ 44,511	$ 29,583
Due from General Revenue Fund *(Note 4)*	8,964,903	1,361,095	10,325,998	7,732,784
Accounts receivable *(Note 6)*				
- accrued interest	42,725	6,593	49,318	30,584
- car leasing	632,373		632,373	1,201,267
- miscellaneous		32,668	32,668	13
Prepaid expenses	659		659	877
Total assets	$ 9,685,171	$ 1,400,356	$11,085,527	$ 8,995,108
Liabilities and Net Assets				
Accounts payable (Note 6)	$ 30,073		$ 30,073	$ 657
Wage deductions payable	156		156	565
Goods and services taxes payable	43,053		43,053	41,678
Total liabilities	73,282		73,282	42,900
Net assets - Statement 3	9,611,889	1,400,356	11,012,245	8,952,208
Total liabilities and net assets	$ 9,685,171	$ 1,400,356	$11,085,527	$ 8,995,108
Investment in capital assets *(Note 7)*			$27,491,373	$28,957,371

See accompanying notes to financial statements

Approved on behalf of the Board:



Maynard Sonntag
Chairman of the Board

Statement of Revenue and Expenditure

Statement 2

for the year ended July 31,2000	*2000*				*1999*
	Budget	Operating Fund	Reserve Fund	Total	Total
Revenue					
Car leasing *(Note 2)*	$1,000,000	$1,639,104	$	$1,639,104	$1,305,593
Interest *(Notes 4 and 5)*	275,000	388,220	65,119	453,339	366,354
Compensation for destroyed grain cars *(Note 2)*	35,000		173,086	173,086	Nil
Total revenue	1,310,000	2,027,324	238,205	2,265,529	1,671,947
Expenditure					
Salaries	50,000	50,856		50,856	64,140
Salary benefits *(Notes 5 and 8)*	10,000	6,433		6,433	6,561
Fleet Manager contract, travel and sustenance (Note 5)	82,000	83,418		83,418	73,912
Other travel and sustenance	1,000	774		774	3,612
Bad debt/allowance for uncollectible accounts	Nil	Nil		Nil	53,543
Administration *(Schedule 1)*	194,000	64,011		64,011	162,917
Total expenditure	337,000	205,492	Nil	205,492	364,685
Excess of revenue over expenditure for the year	$ 973,000	$1,821,832	$ 238,205	$2,060,037	$1,307,262

See accompanying notes to financial statements

Statement of Net Assets

Statement 3

for the year ended July 31, 2000

	2000			*1999*
	Operating Fund	Reserve Fund	Total	Total
Net assets, beginning of year	$7,790,057	$1,162,151	$ 8,952,208	$7,644,946
Excess of revenue over expenditure for the year	1,821,832	238,205	2,060,037	1,307,262
Net assets, end of year	$9,611,889	$1,400,356	$11,012,245	$8,952,208

See accompanying notes to financial statements

Statement of Cash Flows

Statement 4

for the year ended July 31,2000	*2000*	*1999*
Cash flows from operating activities		
Excess of revenue over expenditure for the year	$2,060,037	$1,307,262
Cash flows from non-cash working capital - see summary below	548,105	(780,979)
	2,608,142	526,283
Cash flows from investing activities		
(Increase) decrease in due from General Revenue Fund	(2,593,214)	(616,010)
	(2,593,214)	(616,010)
Increase (decrease) in cash and cash equivalents	14,928	(89,727)
Cash and cash equivalents, beginning of year	29,583	119,310
Cash and cash equivalents, end of year	$ 44,511	$ 29,583

Summary of cash flows from non-cash working capital

(Increase) Decrease in Assets		
Accounts receivable	517,505	(564,400)
Prepaid expenses	218	1,242
	517,723	(563,158)
Increase (Decrease) in Liabilities		
Accounts payable	29,416	(222,874)
Wage deductions payable	(409)	565
Goods and services taxes payable	1,375	4,488
	30,382	(217,821)
	$ 548,105	$(780,979)

See accompanying notes to financial statements

Notes to Financial Statements

1. Status of the Corporation

The Saskatchewan Grain Car Corporation is a Provincial Crown Corporation established on October 2, 1979 by Order-in-Council 1787/79. The Corporation continues under the authority and provisions of *The Saskatchewan Grain Car Corporation Act*.

The Corporation's mission is to maximize the economic benefits to Saskatchewan agricultural as a first priority, other Saskatchewan industries as a second priority, and the Province in general, through the effective and efficient use of its resources.

2. Operating Agreement

The Corporation has entered into an agreement dated February, 1981, with the Canadian National Railway Company, Canadian Pacific Limited, and The Canadian Wheat Board which allows the railways to lease the Corporation's cars free of charge for statutory grain service. Statutory grain service refers to the movement to port of 59 - grain products as listed under Schedule II of the *Canada Transportation Act*.

With the approval of the Corporation, the railways may lease the Corporation's cars for commercial service, provided the cars are surplus to the requirements for statutory grain service. Commercial service includes the carriage of grain at non-regulated freight rates as well as the carriage of other bulk commodities, such as potash. The railways are required to pay an agreed leasing charge to the Corporation for these movements.

The railways are responsible for maintaining and repairing the Corporation's cars at their own expense in accordance with industry standards.

In the event that one of the Corporation's cars is damaged beyond economic repair, the railway responsible is required to compensate the Corporation for the value of the car in accordance with Rule 107 of the Interchange Rules Manual of the Association of American Railroads. The value is based on the current replacement value of the car and the age of the car. All amounts received from the railways as compensation for destroyed cars are placed in a reserve fund to be used for the purchase of new cars.

3. Significant accounting policies

The financial statements have been prepared in accordance with Generally Accepted Accounting Principles.

The Corporation uses the accrual basis of accounting. Where the Corporation is the lessor, rental revenues from car operating leases is recognized as the service is provided to the lessee and collection is reasonably assured.

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

The financial records of the Corporation are segregated into two funds:

(i) Operating Fund, which records the operating revenues and expenditures of the Corporation; and

(ii) Reserve Fund, which records the compensation received from the railways for destroyed cars. All interest earned from cash balances is retained by the Reserve Fund.

Notes to Financial Statements

4. Due from General Revenue Fund

Most of the Corporation's bank accounts are included in the Consolidated Offset Bank Concentration (COBC) arrangement for the Government of Saskatchewan. The Corporation's earned interest is calculated and paid by the General Revenue Fund on a quarterly basis into the Corporation's bank account using the Government's thirty day borrowing rate and the Corporation's average daily bank balance. The Government's average thirty day borrowing rate for 1999/2000 is 5.07% (1998/99 5.01%).

5. Related party transactions

These financial statements include transactions with related parties. The Corporation is related to all Saskatchewan Crown Agencies such as departments, corporations, boards, and commissions under the common control of the Government of Saskatchewan. Also, the Corporation is related to non-crown enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are recorded at the rate charged by those organizations and are settled on normal trade terms.

These transactions are as follows:

	2000	1999
Revenue		
Government of Saskatchewan (General Revenue Fund) - interest earnings	$ 453,339	$ 366,354
Expenditure		
Department of Highways and Transportation - Fleet Manager services	$ 71,319	$ 59,223
Department of Highways and Transportation - Data processing and data storage	$ Nil	$ 21,055
Saskatchewan Property Management Corporation		
- Office rent	$ 8,635	$ 8,939
- Additional office space rental for August 1999	$ Nil	$ 512
- Printing and copying	$ 160	$ 181
- Office supplies	$ 397	$ 950
- Computer equipment	$ Nil	$ 48
Saskatchewan Telecommunications - Telecommunication services	$ 5,306	$ 10,180
Crown Investments Corporation (Capital Pension Plan) - Employee pension plan contributions	$ 1,613	$ 1,605
Workers' Compensation Board (Saskatchewan)	$ 739	$ (15)

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

6. Financial instruments

Significant terms and conditions

There are no significant terms and conditions related to financial instruments classified as current assets or current liabilities that may affect the amount, timing or certainty of future cash flows.

Credit risk

The Corporation is exposed to credit risk from the potential non-payment of accounts receivable. The Corporation's receivables consist of amounts due from Canadian National Railway Company, Canadian Pacific Limited, and accrued interest on funds invested by the Provincial Government. The credit risk on collection of the receivable balance is minimal.

Fair value

The carrying amount of cash, due from General Revenue Fund, accounts receivable and accounts payable approximate fair market value due to their immediate or short term nature.

7. Investment in capital assets

In 1992, the Corporation wrote off its capital assets consisting entirely of hopper cars due to the inability to project with reasonable certainty the possible future net cash flows from usage. The following is provided for information purposes.

The Corporation purchased 1,000 covered hopper cars in 1981 at a cost of $54,214,423. As of July 31, 2000, 28 cars have been destroyed; the remaining 972 cars are in service.

The investment in the hopper cars is amortized on a straight line basis over an expected useful life of 40 years.

As at July 31	*2000*			*1999*		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Rolling stock	$52,695,220	$25,203,847	$27,491,373	$52,967,491	$24,010,120	$28,957,371

The 2000 amortization	$1,318,845	1999 - $1,324,187
Less: Gain on disposals	(25,933)	Nil
Net for the year	1,292,912	1,324,187

8. Pension plan

The Corporation participates in a defined contribution pension plan for the benefit of its employees. The Corporation's financial obligation to the Capital Pension Plan is limited to making regular payments to match the amounts contributed by employees for current service. The Corporation's annual pension expense for 2000 amounted to $1,613 (1999 $1,605).

Schedule of Administrative Expenses

for the year ended July 31, 2000	*2000* Budget	*2000*	*1999*
OPERATING FUND			
Advertising and promotion	$ 500	$ Nil	$ Nil
Bank charges	Nil	12	201
Computer equipment	4,000	Nil	11,444
Computer maintenance	3,000	745	3,524
Consulting services	125,000	29,398	92,225
Data processing - car leasing	1,000	Nil	21,055
Miscellaneous	1,500	137	436
Office supplies *(Note 5)*	1,000	2,814	1,119
Postage and courier	Nil	180	173
Printing and copying *(Note 5)*	1,000	1,042	897
Professional services	36,000	14,379	11,403
Rent - office space *(Note 5)*	11,000	8,635	9,451
Subscriptions - railway data	Nil	Nil	809
Telecommunications *(Note 5)*	10,000	6,669	10,180
Total - to Statement 2	$194,000	$ 64,011	$ 162,917

See accompanying notes to financial statements

Expenditure Disclosure

for the year ended July 31, 2000

Employees receiving payments totalling $ 2,500 or more for salaries and wages:

	2000	1999
Sandra Rathgeber	$ 29,301	$ 29,156
Merve Famulak	$ 12,565	$ 23,292
Garin Gleisinger	$ 8,990	$ 4,538
Dylan Blommaert	Nil	$ 2,832
Craig Clements	Nil	$ 4,000
Lisa Timoffee	Nil	$ 1,619
Total	$ 50,856	$ 64,140

Suppliers/consultants receiving payments totalling $ 25,000 or more for goods and/or services:

	2000	1999
Paul Beingessner	$ 1,120	$ 51,708
Melvin Ellis	$ 23,800	$ 40,517
West Central Road & Rail Ltd.	$ 4,478	Nil
Total	$ 29,398	$ 92,225

Notes

Statistical Summary

Year *(as of July 31, 2000)*	Cars in Service			Cars Destroyed			Car Leasing Revenues	
	CN	CP	Total	CN	CP	Total		
1979/80	-	-	-	-	-	-	--	
1980/81	477	273	750	-	-	-	--	
1981/82	477	523	1,000	-	-	-	$ 56,294	
1982/83	477	523	1,000	-	-	-	$ 11,850	
1983/84	475	523	998	2	-	2	--	
1984/85	475	523	998	-	-	-	--	
1985/86	475	523	998	-	-	-	--	
1986/87	474	523	997	1	-	1	--	
1987/88	474	523	997	-	-	-	--	
1988/89	474	523	997	-	-	-	$ 1,099,441	
1989/90	474	523	997	-	-	-	$ 92,310	
1990/91	473	523	996	1	-	1	$ 146,343	
1991/92	473	522	995	-	1	1	$ 268,342	
1992/93	473	522	995	-	-	-	$ 326,047	
1993/94	472	522	994	1	-	1	$ 816,083	
1994/95	472	518	990	-	4	4	$ 628,807	
1995/96	470	514	984	2	4	6	$ 946,233	
1996/97	468	514	982	2	-	2	$ 991,526	
1997/98	468	509	977	-	5	5	$ 1,089,116	(See note 1. below)
1998/99	468	509	977	-	-	-	$ 1,305,593	
1999/00	464	508	972	4	1	5	$ 1,189,104	(See note 2. below)
Total	464	508	972	13	15	28		

Notes to Statistical Summary

1. Revenue adjustments for 1997/98 fiscal year

Car leasing revenue recognized as per 1997/98 Financial Statement	$ 1,507,271
- Bad debt allowance as shown in 1997/98 Financial Statement	($ 160,000)
- Bad debt allowance as shown in 1998/99 Financial Statement	($ 53,543)
- Settlement recovery with CP for western Canada commercial moves from 1991 to 1997 realized in 1998/99	($ 204,612)
Car leasing revenue actually realized in 1997/98	$ 1,089,116

2. Revenue adjustments for 1999/00 fiscal year

Car leasing revenue recognized as per 1999/00 Financial Statement	$ 1,639,104
- Settlement recovery with CN for western Canada commercial moves from 1991 to 1997 realized in 1999/00	($ 450,000)
Car leasing revenue actually realized in 1999/00	$ 1,189,104

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Corporate Information

Board of Directors

Honourable Maynard Sonntag
Chairman of the Board
Minister of Highways and Transportation
Minister Responsible for the
Saskatchewan Grain Car Corporation
(effective September 30, 1999)

Honourable Judy Bradley
Chairman of the Board
Minister of Highways and Transportation
Minister Responsible for the
Saskatchewan Grain Car Corporation
(from June 27, 1997 to September 30, 1999)

Ron Styles
Deputy Minister
Department of Highways and Transportation
(effective March 1, 2000)

Brian King
Deputy Minister
Department of Highways and Transportation
(from August 21, 1996 to March 1, 2000)

Terrence Scott
Deputy Minister
Department of Agriculture and Food
(effective September 9, 1997)

Management

Bernard Churko
General Manager
(effective June 22, 1993)

Kelly Moskowy
Fleet Manager
(effective October 1, 1998)

William Cooke
Manager of Planning
(effective June 22, 1993)

For additional information:

Saskatchewan Grain Car Corporation
#108 - 256 2nd Avenue West
P.O. Box 2498
Melville, Saskatchewan
S0A 2P0

Telephone: (306) 728-7444
Facsimile: (306) 728-7446
e-mail: sgcc@highways.gov.sk.ca

Glossary

Bad Orders
A bad order is a car that has been deemed mechanically unfit for service.

Car Cycles
A car cycle is the time for a car to complete a trip from origin, to destination, and back to the next origin.

Commercial Service
Commercial service is defined, as the movement of any commodity not destined to port for export, or the movement of commodities to port not covered under Schedule II of the *Canada Transportation Act*. For these commercial movements the Corporation receives a lease fee.

Domestic and Export Markets
Canada, Unites States, and Mexico make up the domestic or North American market; the rest of the world is the export or offshore market.

Metric tonne
A metric tonne equals 2,204.6 pounds or 1000 kilograms, and is 10 percent larger than a 2000 pound short ton.

Phosphate Rock
Also known as phos. rock, this product is the main source of phosphoric acid for phosphate fertilizers and industrial products. A form of calcium phosphate, it also contains other materials

Potash
Typically denotes materials containing potassium, particularly potassium fertilizer. Most fertilizer is muriate of potash (KCl), potassium chloride. Potassium combines with other minerals in specialty fertilizers.

Statutory Grain Service
Statutory grain service is the transportation of commodities which are moved to port for export as defined in Schedule II of the *Canada Transportation Act*. Under the 1981 Operating Agreement between the Saskatchewan Grain Car Corporation, Canadian Wheat Board, CN Rail, and CP Rail, the Corporation allows CN and CP to use Corporation owned cars for the movement of Schedule II commodities to port facilities in western Canada at no cost to the railways.

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